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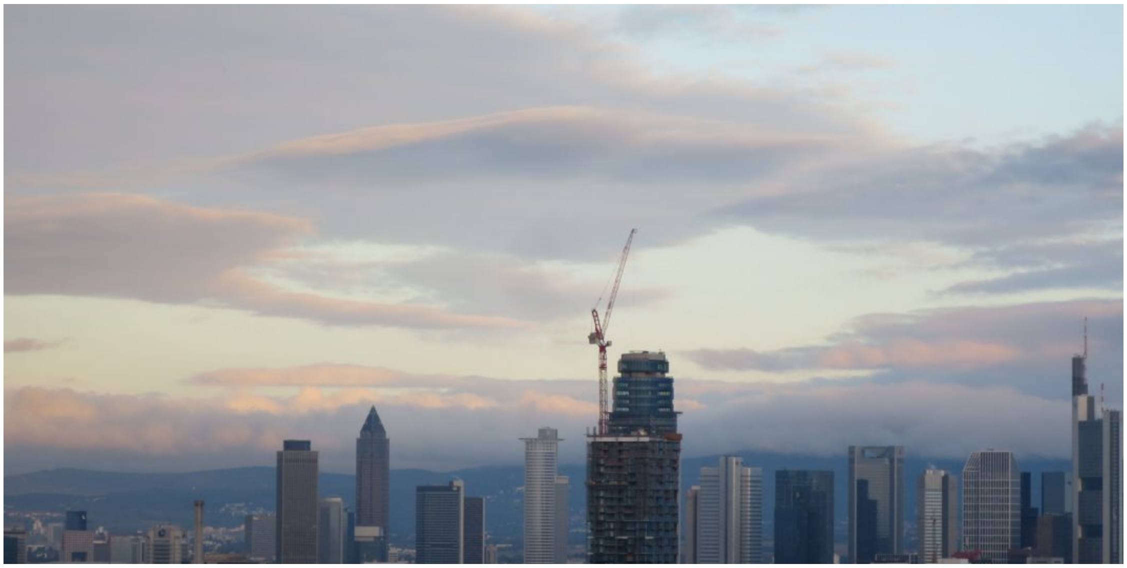

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VALUE OF LABOUR-POWER, WAGES, PRODUCTIVITY AND IMPERIALISM

ECONOFICTION CAPITAL, CAPITALISM, FINANCE, IMPERIALISM, PRODUCTIVITY, VALUE THEORY, WAGES

These are notes from, and for, a series of discussions on imperialism organised by Redline. (See here for other details) As such, they are not a fully rounded analysis, just some guidance on points in these debates.

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A key point to note is that the discussion of these topics often mixes up the question of the value of labour-power and that of (the rate of) exploitation. Both are affected by social productivity – how much can be produced in an hour – but are different aspects of labour's employment by capital.

For example, assume that the value of labour-power, represented by the wage, is the same everywhere. Then the rate of exploitation – how much surplus-value compared to the value of labour-power – is higher if some workers work more hours at the average level of productivity. Even with the same number of hours worked, the rate of exploitation would be higher where workers are more productive per hour than average – usually meaning they are working more intensively, or have better technology or have higher skills. One hour of productive social labour under capitalism produces the same amount of value as another *only if* it is of the same productivity, intensity, etc.[1]

Of course, the value of labour-power is not the same everywhere, so that adds another variable to how exploitation is calculated. If the value of labour-power is much lower in some countries than others, exploitation might be more, but it might also be less, depending upon hours worked, intensity, productivity, etc. Nevertheless, these are abstract points of theory; the reality of the world economy paints a much more straightforward picture.

1. **Wages, value of labour-power**

Everybody knows that there are huge disparities in living standards worldwide. Equally, every capitalist company knows that workers in one country may get wages that are a small fraction of those in another country. Recent data from the US Conference Board for 2012-13 show that manufacturing hourly compensation costs (ie wages plus various directly-paid benefits) in China and India were 11.3% and 4.5%, respectively, of the US level, despite a previous increase, especially in China. So, if the US worker got

$25 per hour, the Chinese worker got under $3 per hour and the Indian worker still less. In the rich European countries, by contrast, compensation levels were generally *above* those in the US, although for the UK they were 20% lower, at nearly $21 per hour.

Whether one allows for the impact of exchange rates, local costs, or anything else, it remains the case that a large proportion of the world's proletariat is living in penury compared to those in the rich countries. The disparity is so huge that, even with so-called globalisation in recent decades, there has clearly been no 'equalisation' of wages in the world market, nor really any significant narrowing of differentials. For this reason, it would be wrong to argue that there is an equal value of labour-power everywhere, so that if one group of workers gets paid below this, then they are getting paid below 'the' value of labour-power. Instead, it makes much more sense to argue that there are different values of labour-power in different countries, for a variety of historical, political and social reasons.

Taking absolute levels of wages (basically, their purchasing power, or real wages), moves towards an equalisation could potentially occur, but only if there were a free market in labour-power. However, from the late 19th century, when travel became less costly, there was also the growth of passport laws and immigration controls in the richer countries. Governments implemented these not only due to concerns about 'undesirable aliens'. More importantly, labour unions and workers in the richer countries protested about the pressures on the labour market for lower wages from these migrants and the extra demand for housing, etc.

Such controls have remained in place, in different forms, since then. Where they have been relaxed, as with the EU membership of Eastern European countries from 2004, this has caused political trouble, as witnessed in the latest UK Brexit vote. The 'exit' voters (mostly in England and Wales) were those who felt they had suffered from an influx of cheaper 'Polish plumbers', etc, who had done them out of jobs, made housing more expensive or less available, and made the queues for medical services and welfare payments longer. Similarly, in the US we have the 'Trump wall' proposals to keep out the Mexicans, etc. These political moves, contradicting the usual capitalist search for the lowest labour costs, are responses of the ruling class to the economic discontent of a loyalist, pro-imperialist working class that is demanding protection from its state.

From a Marxist perspective, wages are based on the reproduction costs of labour-power, or what capitalists need to pay workers to get them to be able to show up for work (not just individually, but also to allow for family costs, etc). This, in turn, depends on subsistence costs as a minimum, plus what Marx called a 'historical and moral element'. This latter element is based on the social conditions prevailing, including the success or otherwise of working class struggle for higher wages, benefits, etc.

This also means that there is not necessarily any direct relationship of wages to productivity. It is true that higher productivity can allow the capitalist to make some concessions on wages and benefits while still making a profit. Equally, low productivity means the capitalist will have to impose harsh conditions in order to survive in competition. However, there is no one-to-one relationship. It depends on the political and social situation. A defeat of the working class can lead to high levels of exploitation and high productivity, but low wages. This was true for the West German 'economic miracle' in the 1950s, for example, where exploitation of the working class was comparable to that under Hitler.

In periods of crisis-free growth, it is likely that wages will rise, but commonly we find that wages grow less than productivity. The degree to which that happens is not predetermined. Rising productivity is usually an indication of a rise in the rate of exploitation, despite what may also be improved living standards (higher real wages) for workers. However, this mechanism does not work in the same way for workers in the dominating, imperialist countries and for those in a more subordinate position.

In the imperialist countries, the capitalist class may attack living standards, but it has far less freedom to do so than in the dominated countries. In the latter, it is also starting from a lower level of living standards from which to begin exploitation. In this case, the 'historical and moral elements' work in capital's interests. Especially for countries that are newer entrants to the global economy, the more traditional social relationships can substitute for higher wages paid by the capitalist (eg workers from the countryside working in factories but still growing some of their own food). Wages will be very much lower than in the major countries, even if productivity in the factory is not that much lower, or may even be higher, than in the more developed economies.

2. **Productivity**

A few points on productivity measures in commonly used economic statistics, and the differences between imperialist and dominated countries, are also worth bearing in mind.

The national *average* productivity level in dominated countries may be low, since it will often include a large subsistence-based agriculture or commercial sector and small-scale producers. This can lead economists to argue that differences in wages are a function of differences in productivity (on their assumption that workers get rewarded according to the value of what they produce – something at odds with a Marxist understanding). But this economist argument conveniently ignores that foreign companies from imperialist countries invest in, or are supplied by, companies in sectors of the economy where levels of productivity that are not materially different from those in the major countries.

Foxconn, for example, has greatly mechanised its massive production facilities in China with a huge number of industrial robots.

This highlights how the massive gap between wage levels paid in China, India, etc, and the wage levels paid at home is a sign of extra exploitation, in the sense of value produced versus the value of the wage paid. In other words, it is a higher rate of exploitation (s/v) by these companies in India/China, etc, not a sign that they pay low wages because productivity is low.

I think a key point of John Smith's *Imperialism* book is to show how GDP-related statistics mean that measures of value 'production' are implausibly distorted in favour of the rich countries. With their commercial (and more general) market power, they are able to force a deal upon the producers of the oppressed countries, although this shows up as value accruing in their own domestic economies. This is why Apple Inc, a US company, looks so profitable, despite producing little or nothing in the US.

3. **Profitability, rate of profit**

Differences in national rates of exploitation may not be the reason or the only reason for the different measured rates of profit. Tax concessions for foreign capital, or other concessionary deals to attract foreign capital can also be important. Equally, cheaper land or other available resources can also help boost profits, separately from whatever wages might be paid.

This raises the question of why 'all' capitalist investment does not migrate to the more profitable location, or why it has not all moved to China, etc. John Smith has made some useful points here, both that a lot of the *productive capacity* has done this – as shown in some details of FDI that distinguish HQs and more marketing-type facilities from production facilities – and that there has been a distinction in the product markets between more high-tech and low-tech operations. The former are in one 'market', that run by the major powers making aerospace products, top-end engineering products, etc, with patents and other barriers to entry from competitors. The latter is a separate market making textiles, clothing, simpler components for other products, where competition is fierce.

I would add that there is also an extra 'value' given by design patents and intellectual property, plus marketing power. More or less all of this economic benefit accrues to the companies based in the imperialist countries. This is a form of monopolistic control of markets, boosted by the greater buying power of rich consumers – in this respect it is a feature of monopoly control that is self-reinforcing. One interesting angle on this is given by the 'Smiling Curve of Stan Shih', where Shih, a former Acer executive, notes that the worst thing to do if you want to make any money is to *produce* the goods, rather than designing or selling them!

This harks back to British imperialism's heyday, when Britain was more of a commercial and financial operator than a producer. If anything, the pattern of the world economy today, with the power of Google, Facebook, Amazon, etc, shows that profitability has little to do with producing any value. Don't be an idiot, get others to do the hard work producing!

Such developments also cast questions on an equalisation of profit rates internationally, as measured by country-based rate of profit measures. Yes, companies will tend to focus on where more profit can be made. But how do they do this, and does this mean they change location? This is one more sign that Marx's analysis, and even Lenin's, is only a starting point for analysing imperialism today.

4. **Productivity, C/V, rate of profit, imperialism**

Higher productivity means producing more use-values with less of an input of value, ie less value (social labour-time) per unit of commodity produced. Usually, and historically, this comes about through mechanisation. But there can be path-breaking innovations that use up far less resources (constant and variable capital) per unit of output (for example, in telecoms, containerisation) and might even involve much less cost of constant capital. So, there is a very common, but not always a necessary link between a higher C/V and higher productivity.

The point I would stress, however, is that in much historical work on imperialism there is a mistaken view that the basic mechanism of exploitation/value transfer is where higher C/V countries (presumably, the more developed) extract value from lower C/V countries (the less developed). This derives from the process Marx describes for an equalisation of profit rates in the capitalist market, ie that there is a flow of value (based upon prices of production differing from values) from the low C/V companies to the high C/V companies.

The problem is that this has nothing to do with imperialism as something special in a new phase of capitalism! It is a normal feature of the capitalist market, even *within* an imperialist country. The economic analysis of imperialism has nothing to do with this aspect. Instead, the economic content of imperialism should show how the more powerful countries exert economic power over the oppressed. Furthermore, this is how a monopolistic market run by the major countries tries to prevent whatever free-market equalisation is meant to occur, whether this is of profitability – to protect their interests – or even of wage levels, to keep their populations onside, when it comes to imperial conflict!

5. **Conclusion: the benefits of imperialism**

In economic terms, imperialism benefits not only the imperialist governments and corporations, but also the mass of the populations in the powerful countries. This comes through concessions that the former are able to give to the latter, whether in welfare payments or in wages directly. In the major countries, even when wages and working conditions are under pressure, or when unemployment is rising, there remains a clear distinction between the living standards and the state-sponsored social safety net available to workers in rich countries and what workers in poor countries receive. These privileges are an important

material basis for the political outlook of the mass of workers in the rich countries.

Tony Norfield, 30 July 2016

[1] Also note that whether value is created is socially determined. For example, if too much is produced of a particular product, then part of the social labour allocated to its production is worthless. This will be reflected in unsold commodities and/or falling prices.

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